



# **San Diego City Attorney MICHAEL J. AGUIRRE**

---

## **NEWS RELEASE**

**FOR IMMEDIATE RELEASE: October 10, 2008**

**Contact: Communications Division (619) 235-5725**

### **CITY ATTORNEY FILES CONSUMER FRAUD LAWSUIT AGAINST WASHINGTON MUTUAL; SEEKS COURT ACTION TO STOP LENDER FORECLOSURES**

**San Diego, CA**—San Diego City Attorney Michael Aguirre filed a civil complaint this morning in San Diego Superior Court against Washington Mutual, Inc. (WaMu) alleging that the lending institution engaged in a “pattern of unlawful, unfair or fraudulent predatory real estate lending practices” that has caused numerous California residents “to lose or be in jeopardy of losing their homes through foreclosures.” The legal action also calls for injunctive relief and civil penalties.

“We are asking a court to prevent WaMu from initiating or advancing any foreclosure on any residential sub-prime mortgages involving properties which are owner-occupied in the State of California,” said City Attorney Aguirre. “Countrywide has seen the light and now it is WaMu’s turn to demonstrate that they are a good corporate citizen,” Aguirre added.

The civil lawsuit was filed by the Consumer and Environmental Protection Unit of the San Diego City Attorney’s Office. The complaint alleges that WaMu’s unlawful lending practices directed against home purchasers and owners in San Diego and across the State of California involved one of the following elements:

- a. Making loans without consideration or verification of a borrower’s ability to repay the mortgage according to its terms;
- b. Inducing borrowers to repeatedly refinance in order to avoid “payment shock” resulting in a financial advantage to WaMu through the charging of high loan origination points and fees each time mortgages were refinanced;
- c. Colluding with real estate appraisers to inflate the value of homes used to secure the loans; or
- d. Engaging in fraud, deception or false advertising to conceal the true nature of the loan’s obligations.

The City Attorney’s action was brought to enjoin WaMu from initiating or advancing foreclosures on any owner-occupied residential mortgage involving subprime adjustable or fixed rate mortgages, and  
(more)

pay-option adjustable rate mortgages until such time as the borrowers have been evaluated for participation in a loan modification program or offered relocation assistance if ineligible to participate in loan modification.

The lawsuit further alleges that the goal of WaMu's unlawful, unfair or fraudulent "predatory" lending practices was to increase the Company's share of the national mortgage market by mass producing loans for sale on the secondary market. WaMu originated loans with little or no regard for the borrowers' financial ability to afford the loans or to sustain homeownership.

By 2002, WaMu was the second largest originator of mortgage loans in the United States. That year 44% of WaMu's loan portfolio, containing both loans meant to be held by the company as well as loans held for resale to the secondary mortgage market, was comprised of mortgages originated in California. The amount of California mortgages held in WaMu's loan portfolio rose to 46% by 2003. According to WaMu's 10-K filed in February 2008, that number rose even further still to 50% by the end of 2007.

On July 23, 2008, the City Attorney filed a similar civil lawsuit against Countrywide Financial Corporation, now owned by Bank of America.

On October 6, 2008, the Attorney General announced a settlement of the State of California's lawsuit against Countrywide "that is expected to provide up to \$8.68 million of home loan and foreclosure relief nationally, including \$3.5 billion to California borrowers."

In addition, Bank of America has publicly stated that foreclosures will be halted throughout the State, and a homeowner's retention program will be implemented to rework problem mortgage loans.

Meanwhile, the City Attorney will not dismiss his complaint until the City Attorney's Office receives a written confirmation by Bank of America that foreclosures will be halted.

To view the lawsuit against WaMu, visit [www.sandiegocityattorney.org](http://www.sandiegocityattorney.org), click Foreclosure Crisis.

###